Pensions and 30th. November

Marlyn Glen

The *“Daily Mail”* couldn’t have put it better.

“State-owned Royal Bank of Scotland is to lavish around £500million in bonuses on its 'casino' bankers - despite a collapse in profits.

“Hundreds of traders and investment bankers who were bailed out by taxpayers at the height of the financial crisis are expected to walk off with pay and perks packages worth more than £1 million each.

“The huge handouts will fuel fury at City greed at a time when politicians and religious leaders are speaking out about corporate excess.”

(7th. November this year)

This is what others have described as “Socialism for the bankers” while its obverse, “capitalism for the workers” will be the cause of a massive national demonstration on Wednesday.

The moral debate is still about the reckless actions of those who were rewarded for failure, who required a large bonus simply to do their job, versus the rights of those who did not cause the financial crisis, but who are now being asked to work longer and to pay more to receive less of a pension as a result of it.

The political debate has been transformed into the hoary Tory myth of the “bloated” public sector with “gold-plated”, “unaffordable” pensions paid for by the taxpayer, and of Labour's "rampant spending in office" , which was in fact vital to prop up the private banking sector from collapsing, an action repeated by other Governments .

Wednesday's action has been described as a "women's strike" and for good reason.

Almost two-thirds of public sector employees are women and when the public sector is hit hard by Tory cuts that are inevitably accompanied by punishing job losses, it's women who suffer the most in terms of jobs, pay and pensions.

The Tory-led Government's belief was that the clear out of jobs in the public sector would be the signal for the private sector to absorb these redundancies by creating more jobs for those losing theirs in the public sector.

That has never happened in any large measure - nor was it ever likely to - but for those that this has affected, it's almost certainly meant a loss of pay for most of them.

The gross hourly rate for full-time women in the public sector is on average around £4.20p an hour higher than in the private sector.

The same rate for part-time female workers is on average £2.90p an hour greater in the public sector than in the private sector.

Added on to that disadvantage is what the TUC describe as " a growing gap between public and private sector pensions caused by the employer retreat from decent pensions in the private sector"

Pension provision should include as one of its main objectives the levelling up of pensions in the private sector to those in the public sector.

It's not about levelling down pensions in the public sector to the level of those in the private sector.

The claim about the "spiralling costs" making for unsustainable nature of public pensions is based on the belief that pension costs will absorb greater costs as more and more people live longer.

However, the UK Government's Office of Budget Responsibility Fiscal Sustainability Report has already delved into the likely costs of pensions in the 2030s and the 2060s

It predicts that the cost of public pensions will have fallen to 1.8 per cent of the country's Gross Domestic Product by 2030 and will fall further still to 1.4 per cent by 2060.

As for “ gold-plated” pensions in the public sector, the average pension for women in the public sector is around £2,800 a year, and in the health service £3,500

Unions are angry about the claim of the Tory-led government that under their pension proposals, all those earning under £15,000 a year will see no increase in their pension contributions.

However, these figures refer to what a person would earn if they were working full-time in practice or in theory.

So a part-time worker earning £8,000 a year would not be exempt from increases in contributions because their “full-time pay” would be the equivalent of £16,000 a year, above the £15,000 threshold.

Employees face average increases of 3 per cent - a pay cut of 3 per cent by any other name -and the majority of these part-time workers are women.

Meanwhile, the TUC PensionsWatch reports that the directors of the top echelons of UK companies can expect average pension payments of almost £250,000 a year.

The report indicates that the leading 362 directors have stored up final salary pensions worth on average £3.9 million each.

Is there a particular Scottish dimension to the pensions issue?

The SNP Government believes that there is.

It is to debate the issue of pensions in the Scottish Parliament on Wednesday.

However, the entrance qualifications for anyone who wishes to participate in the debate is that they will firstly have to walk across the picket line at the Scottish Parliament

Scottish Labour MSPs will be absent en masse from the Parliament on Wednesday along with the Scottish Green MSPs

In his strong reproach of the SNP Government and its failure to listen to the voices of public sector unions to close down Holyrood next Wednesday, the Greens Parliamentary leader, Patrick Harvie, described it as “ an utterly cynical move”

He went further:

“On November 30th, the country will see the strongest wave of coordinated action for generations, all to challenge the UK Coalition’s ideological and counter-productive cuts. On that day, the SNP and the Coalition parties will sit together as an unholy alliance on the wrong side of the picket lines. Is this really what the SNP stand for now?

“No doubt there will be empty rhetoric from Ministers about supporting the right to strike – despite knowing that Parliament can only meet if employees and MSPs alike cross the picket lines.

“The SNP claim they’re on the other side of the argument from the Tories and LibDems.

“Wrong.

“The picket line ***is*** the argument, and the SNP have picked a side, the same side as the parties primarily responsible for this brutal attack on pay and pensions.

“The unions have been very clear about how MSPs can support them – by joining them at pickets and rallies right across the country. That’s the work we should be doing on November 30th.”

Patrick Harvie is the leader of a very different political party from that other one that is also in favour of an independent Scotland.

The pensions issue, like so many others, has its roots in the financial crisis of 2008.

Before then, the financial sector was revered for its “special place” in the economy and its “productive” risk-taking which entitled it to the jaw-dropping salaries and eye-watering bonuses.

However, Economics Nobel Prize winner Paul Krugman, puts it differently.

“It’s hard to avoid the conclusion that, by and large, the members of the super-elite are overpaid, not underpaid, for what they do.

“Very few of them are Steve Jobs-type innovators; most of them are corporate bigwigs and financial wheeler-dealers. One recent analysis found that 43 percent of the super-elite are executives at nonfinancial companies, 18 percent are in finance and another 12 percent are lawyers or in real estate. And these are not, to put it mildly, professions in which there is a clear relationship between someone’s income and his economic contribution.

“Executive pay, which has skyrocketed over the past generation, is famously set by boards of directors appointed by the very people whose pay they determine; poorly performing Chief Executives still get lavish paychecks, and even failed and fired executives often receive millions as they go out the door.

“Meanwhile, the economic crisis showed that much of the apparent value created by modern finance was a mirage. As the Bank of England’s director for financial stability recently put it, seemingly high returns before the crisis simply reflected increased risk-taking — risk that was mostly borne not by the wheeler-dealers themselves but either by naïve investors or by taxpayers, who ended up holding the bag when it all went wrong. And as he waspishly noted, ‘If risk-making were a value-adding activity, Russian roulette players would contribute disproportionately to global welfare.’ “

Marlyn Glen’s website : http://www.marlynglen.org.uk